



RIM/gd2 11/19/2018

FILED

11/19/18
02:41 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013
And Related Matters.	Application 15-07-002 Application 15-07-003 Application 15-07-006
(NOT CONSOLIDATED)	
Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.	Application 15-07-005
And Related Matters.	Application 15-07-007 Application 15-07-008

**ADMINISTRATIVE LAW JUDGE'S RULING
ON THE APPLICATION OF THE COMPETITIVE SOLICITATION
FRAMEWORK FOR DISTRIBUTION INVESTMENT DEFERRALS IN THE
DISTRIBUTION RESOURCE PLANNING PROCEEDING**

This Ruling clarifies how the Competitive Solicitation Framework (CSF) adopted in the Integrated Distributed Energy Resource (IDER) proceeding, Rulemaking (R.) 14-10-003, shall apply to the 2019 distribution investment

deferral solicitations in the Distribution Resource Planning proceeding, and clarifies the process and schedule to approve the Distribution Investment Deferral Framework competitive solicitations in 2019.

1. Background

The Distribution Investment Deferral Framework (DIDF) was adopted in the *Decision on Track 3 Policy Issues, Sub-Track 1 (Growth Scenarios) and Sub-Track 3 (Distribution Investment and Deferral Process)* (D.) 18-02-004, requiring the Investor-owned Utilities (IOUs) to issue the Distribution Deferral Opportunities Report to be vetted by the Distribution Planning Advisory Group (DPAG) to identify candidate projects that should be issued for competitive solicitation. Ordering Paragraph (OP) 2.w orders the IOUs to file a Tier 2 Advice Letter at the conclusion of the DPAG process, by December 1 each year, recommending the distribution deferral projects that should go immediately out for solicitation via the CSF Request for Offer (RFO). The decision requires that these advice letters shall include preliminary contingency plans, developed to the guidance provided in Section 3.7.4 of the decision, as well as the Independent Professional Engineer's (IPE) DPAG Report, as attachments. The IPE's DPAG Report will put forth his or her evaluation of the DPAG review process, plus any stakeholder feedback regarding candidate projects that the IOUs did not propose for solicitation. The California Public Utilities Commission (Commission) may then rule on these non-consensus projects in a separate resolution from that which disposes of consensus projects.

The CSF was developed and adopted in the IDER proceeding, R.14-10-003, to provide guidance for DER competitive solicitations for DERs identified in R.14-08-013. The Commission clarified the relationship between R.14-10-003 and R.14-08-013 in D.15-09-022, explaining that the two proceedings would work

together to create an end-to-end framework to implement Public Utilities Code Section (Pub. Util. Code §) 769.¹ The CSF framework was developed in the CSF Working Group, submitted as the CSF Working Group Report to the Commission on August 1, 2016, which provided recommendation on defining the potential distribution services that could be procured, methods to ensure resources are incremental and avoid double counting, solicitation rules/principles and oversight, and a contract approval process. D.16-12-036 adopted the consensus recommendations from the working group, and directed the launch of a regulatory incentive mechanism pilot to test approaches to DER solicitations. Where consensus was not reached by the working group, the Commission determined that a pilot solicitation process was needed to experiment with options.

2. Requirements for 2019 DDF Solicitations

The Commission will not evaluate the IDER pilot solicitations to address the unresolved issues to finalize the CSF until 2019. As such, the competitive solicitations in DDF need to launch prior to the IDER evaluation, and we need to ensure that the issues that have been vetted in the IDER pilots are addressed within the DDF 2019 solicitations. In the Tier 2 Advice Letters requesting approval of their DDF Solicitations, we require the IOUs to explain how the DDF 2019 solicitations address issues and challenges from recent solicitations and what specific improvements they are making to the DDF 2019 based on lessons learned from prior DER solicitations and feed-back from stakeholders,

¹ D.15-09-022 at 7-8.

Energy Division, and the IPE. The IPE's report should include and address the stakeholder and Energy Division feedback on the DPAG process and content.

The Commission expects the DIDF 2019 solicitations to be based on the CSF to the extent that it has been defined to date, as well as procurement issues that were resolved in IDER Resolution E-4889, to the extent that the issues apply to the 2019 DIDF solicitations.² In applying the guidance from D.16-12-036 to the DIDF Solicitations, if there are aspects of the solicitation process that D.18-02-004 has addressed then the guidance of D.18-02-004 prevails.³ The IOUs should explain how their solicitations conform to the guidance in D.16-12-036 and Resolution E-4889 and/or D.18-02-004. If there are aspects of the DIDF solicitation that the IOUs propose to diverge from the CSF or propose to apply requirements that have not yet been resolved, they should provide a detailed explanation of the solicitation requirements and justification. Specifically, the IOUs should address the following:

1. Technical and operating requirements (ie. services and attributes, as defined in the CSF);

² This resolution clarified and resolved several issues regarding DER procurement that may apply to the DIDF, including: Eligibility of resources, Services that may qualify as incremental, dispatch protocols, updates to the cost effectiveness cap, information to be included in Utilities Request for Offers (RFO materials), exporting constraints, project timelines, customer information, metering and proposed measurement and verification requirements.

³ For example, D.16-12-036 requires the IOUs to file Tier 3 Advice Letters requesting approval to conduct solicitations for DERs, and it requires Energy Division hold a workshop to discuss the contents of the Advice Letters. In contrast D.18.02.004 requires the IOUs to file Tier 2 Advice Letters requesting approval to conduct solicitations for DERs. In some areas the process outlined in DIDF is more streamlined than that outlined in the IDER Pilot.

2. Solicitation schedule to finalize contracts to meet project need;
3. How will market outreach be conducted;
4. Project valuation metrics used to select a bid for procurement based on OP 5 and Appendix A of D.16-12-036;
5. Potential application of the Technology Neutral Pro Forma Contract, or other contracting rules; and
6. Rules to ensure DER services are incremental to existing efforts and avoid double counting of payments.

Consistent with the CSF, the Commission requires the IOUs to submit a Tier 2 Advice Letter for review and approval of the selected contracts. The IOUs shall present the bids and contracts recommended for approval to the Procurement Review Group and contract with an Independent Evaluator for review.

In addition to the requirements ordered in D.18-02-004, other requirements for the Tier 2 Advice Letter are included in Attachment A. In D.18-02-004, OP 2.gg directs the IOUs submit proposed modifications to the future DIDF process (June 1, 2019 and beyond) within their Tier 2 Advice Letters. We clarify here that we do not expect these Advice Letters to constitute the only opportunity for IOUs or others to offer suggestions for improving the DIDF process. Instead, we anticipate inviting more detailed feedback on the DIDF process from all parties following the issuance of competitive solicitations in early 2019, with a view towards implementing any appropriate changes prior to June 1.

D.18-02-004 sets the following schedule for the DIDF competitive solicitations. The protest period is increased to 19 days to accommodate the holiday schedule.

Schedule for Competitive Solicitations

EVENT	DATE
Utilities file Tier 2 Advice Letter on candidate deferral projects selected for competitive solicitation	November 28, 2018
Protests, if applicable	December 17, 2018
Reply Protests, if applicable	December 21, 2018
Approval, Disposition or Resolution of Advice Letter	Q1 2019
IOUS issue DIDF RFO	Within 30 days from approval of 2019 DIDF solicitations
Bidders submit offers	Within 3 months from approval of 2019 DIDF solicitations
PRG Presentation of Project Shortlist	Within 5 months from approval of 2019 DIDF solicitations
IOUs file Tier 2 Advice Letters for approval of contracts	Within 6 months from approval of 2019 DIDF solicitations

IT IS SO RULED.

Dated November 19, 2018, at San Francisco, California.

/s/ ROBERT M. MASON, III

Robert M. Mason, III
Administrative Law Judge

ATTACHMENT A: 2019 DIDE Advice Letter Requirements

1. Projects Selected for Solicitation:

Provide detailed requirements for projects selected for competitive solicitation. Operating requirements should include, at minimum:

- Location of Need – map and description of locations on circuit
- Metrics to define need – include all metrics needed to evaluate the DER's ability to meet need, ie. kWh-day, kVar, MW, etc.
- Unit Cost of Traditional Mitigation
- Cost effectiveness metric used to evaluate project
- Market assessment, such as:
 - Peak duration
 - Peak timeframe
 - Hosting Capacity
- Forecast certainty – factors that determine the forecast certainty
- Services required:
 - Dispatch or back-tie – explain rationale
 - Thermal
 - Provide timeline of each requirement
- Any additional requirements

2. Tier 1 & 2 Projects Not Selected for Solicitation:

Provide rationale for projects that were not selected for solicitation, with discussion of the operating requirements that make the project infeasible for solicitation.

3. Contingency Plans

Include contingency plan with:

- Any modifications incorporated based on input from DPAG
- Schedule for meeting the contract performance requirements and off ramps
- Explain how changes to contracts will be made to address changes in system need, including:
 - Flexibility to procure more DERs if system need increases
 - Terms in which the contract may change if system need decrease
 - The latest date that a contract might be canceled due to factors such as elimination of system need

4. Lessons Learned from Past Solicitations

Explain how the solicitation has addressed the issues that prevented the success of past solicitations, and what specific improvements the IOUs are making to the DIDF 2019 based on lessons learned from prior DER solicitations and feed-back from stakeholders, Energy Division and the IPEs.

5. Conformance to IDER Competitive Solicitation Framework

Describe how the 2019 DIDF solicitations will conform to the requirements in the IDER CSF. If there are aspects that do not conform, please explain how and why. Elements to address include:

- Solicitation schedule to finalize contracts to meet project need
- How will market outreach be conducted
- Project valuation metrics to select a bid based on Ordering Paragraph 5 and Appendix A of D.16-12-036.

- Potential application of the Technology Neutral Pro Forma, or alternately, contract terms to be negotiated
- Rules to ensure DER services are incremental to existing efforts and avoid double counting of payments